

**OVERVIEW**  
**ACT 71, SLH 1999 [S.B. No. 44, S.D. 1, H.D. 1]**  
**Expansion of GET Wholesale Rate**  
**Prepared by DOTAX, State of Hawaii**

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**PURPOSE OF ACT 71:** To liberalize the legal standards for qualifying for the lower GET rate for services and goods that are purchased for resale.

**TAX RATES FOR SALES OF SERVICES/GOODS THAT QUALIFY UNDER ACT 71:** Subject to rates which decrease over a 7-year period until it reaches ½% in 2006.

**EFFECT ON EXISTING LAW:** The law does not affect those transactions that currently qualify for the ½% rate under HRS §237-4, HRS §237-13(6), and HRS §237-18(c).

**TAXATION OF GOODS PURCHASED FOR RESALE**

► **Subject to ½% GET (Old Goods-to-Services Test -- Still Applicable -- HRS §237-4(8)(A))**

To qualify:

1. Goods cannot be consumed or incidental to the performance of the service;
2. Goods must be resold at 4%; and
3. The resale of the goods must be separately charged or billed by the person rendering the service.

► **Subject to Phased-In Rates (New Test)**

Transactions that qualify:

1. The goods are sold upon order or request of a licensed seller for purpose of:
  - rendering services (*taxed under HRS § 237-13(6)*); or
  - furnishing transient accommodations (*taxed under HRS §237-13(10)*);
2. The goods become an “**identifiable element**” of services rendered.
3. Purchases of “**overhead**” not eligible (e.g., general and continuous costs occurring in the normal course of business).

**TAXATION OF SERVICES PURCHASED FOR RESALE**

► **Subject to ½% GET (Old Intermediary Services Test -- Still Applicable -- HRS 237-13(6))**

To qualify:

1. The service provider performs a service;
2. Upon the request or order of another service business which acts as an intermediary between the service provider and the ultimate customer of the service;
3. Both the service provider and intermediary are licensed persons in the State;
4. There are at least three parties; and
5. The gross income received by the intermediary from the ultimate customer is subject to the GET at the 4% rate.

► **Subject to Phased-In Rates (New Test)**

Transactions that qualify:

1. A “**service**” is rendered;
2. Upon the order or request of:
  - a licensed seller rendering another service (*expands HRS §237-13(6)*);
  - licensed seller manufacturing, producing, preparing, or acquiring goods (*expands HRS §237-18(c)*);
  - a licensed contractor for the purpose of assisting with a contracting project (*taxed under HRS §237-13(3)*); or
  - a person subject to TAT for purpose of furnishing transient accommodations (*taxed under HRS §237-13(10)*).
3. The benefit of the service passes to the customer of the licensed seller, contractor, or person furnishing transient accommodations.
4. The service becomes an “**identifiable element**” of the service, Goods, contracting, or transient accommodations being sold to the customer.
5. “**Overhead**” not eligible (e.g., general and continuous costs occurring in the normal course of business).